



INTERNATIONAL
SHOE COMPANY

BOARDS
9684-88
Inde

1949
ANNUAL REPORT

1509



The annual meeting of stockholders will be held on February 27, 1950

PRINCIPAL OFFICERS

BYRON A. GRAY	<i>President</i>
ANDREW W. JOHNSON	<i>Vice-President and Treasurer</i>
OLIVER F. PETERS	<i>Vice-President</i>
DICKSON S. STAUFFER	<i>Vice-President</i>
ARTHUR B. FLETCHER	<i>Vice-President</i>
EDGAR E. RAND	<i>Vice-President</i>
HENRY H. RAND	<i>Vice-President</i>
J. LEE JOHNSON	<i>Vice-President</i>
ROBERT O. MONNIG	<i>Vice-President and Comptroller</i>
CARL E. BRUECKMANN	<i>Secretary</i>
WILLIAM N. SITTON	<i>Assistant Treasurer</i>

(FRANK C. RAND, *Chairman of the Board*,
died December 2, 1949)

DIRECTORS

ROBERT E. BLAKE	ANDREW W. JOHNSON
SAMUEL BOWN	J. LEE JOHNSON
CARL E. BRUECKMANN	ROBERT O. MONNIG
CLARENCE H. FIELDER	OLIVER F. PETERS
ARTHUR B. FLETCHER	JAMES T. PETTUS
BYRON A. GRAY	EDGAR E. RAND
CLEMENCE L. HEIN	HENRY H. RAND
EDWARD J. HOPKINS	WILLIAM N. SITTON
FRED HUME	DICKSON S. STAUFFER
PAUL B. JAMISON	

TRANSFER AGENTS

Manufacturers Trust Company, New York, N. Y.
Mississippi Valley Trust Company, St. Louis, Mo.

REGISTRARS

Guaranty Trust Company, New York, N. Y.
St. Louis Union Trust Company, St. Louis, Mo.



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The Results
FOR
1949

**Financial highlights for the fiscal year ended
November 30, 1949, and comparisons with 1948 and 1947**

	<u>1949</u>	<u>1948</u>	<u>1947</u>
We produced shoes which were sold to others in the amount of	\$190,003,486	\$219,804,880	\$212,918,192
We produced leather and other materials for use by us in the manufacture of shoes	73,023,835	89,869,570	91,439,492
Total value of product	263,027,321	309,674,450	304,357,684
Net profit	7,682,359	13,820,197	14,002,017
% of sales	4.0%	6.3%	6.6%
% of total value of product	2.9%	4.5%	4.6%
Earnings per share	\$2.26	\$4.06	\$4.11
Dividends	\$3.00	\$3.00	\$2.25

Detailed financial statements are presented beginning on Page 28 of this report.

Annual Message

FROM THE PRESIDENT

To Our Stockholders...

1949 was the year of readjustment for our Company.

The readjustments which had to be made in the change from the lean, wartime national economy of scarcity to the plump peacetime economy of plenty have rolled wave-like over industry after industry and company after company during the past four years.

The shoe industry with a production of 525,000,000 pairs in 1946 "caught up" with demand, as a whole, either late in that year or early in 1947. By that time, shoes of some kind were available to almost all wearers. Scarcities continued with respect to particular shoes, such as some children's shoes. Also still lacking was the great variety of types, kinds and colors which provides any wearer with the ability to satisfy any shade of preference, any whim or fancy. However, by and large, by the end of 1946 or early 1947, shoes were quantitatively in adequate supply if not selectively.

During 1947 and 1948 (some as early as 1946), shoe manufacturers, one by one, found themselves "caught up" and immediately turned their attention to getting their production lines changed over to the newer, desired types and kinds of shoes. As the new merchandise appeared in the market, shoe retailers, in turn, adjusted their stocks as rapidly as they could to the new situation, thus gradually completing the chain of readjustment.

Our Company was prevented by a large

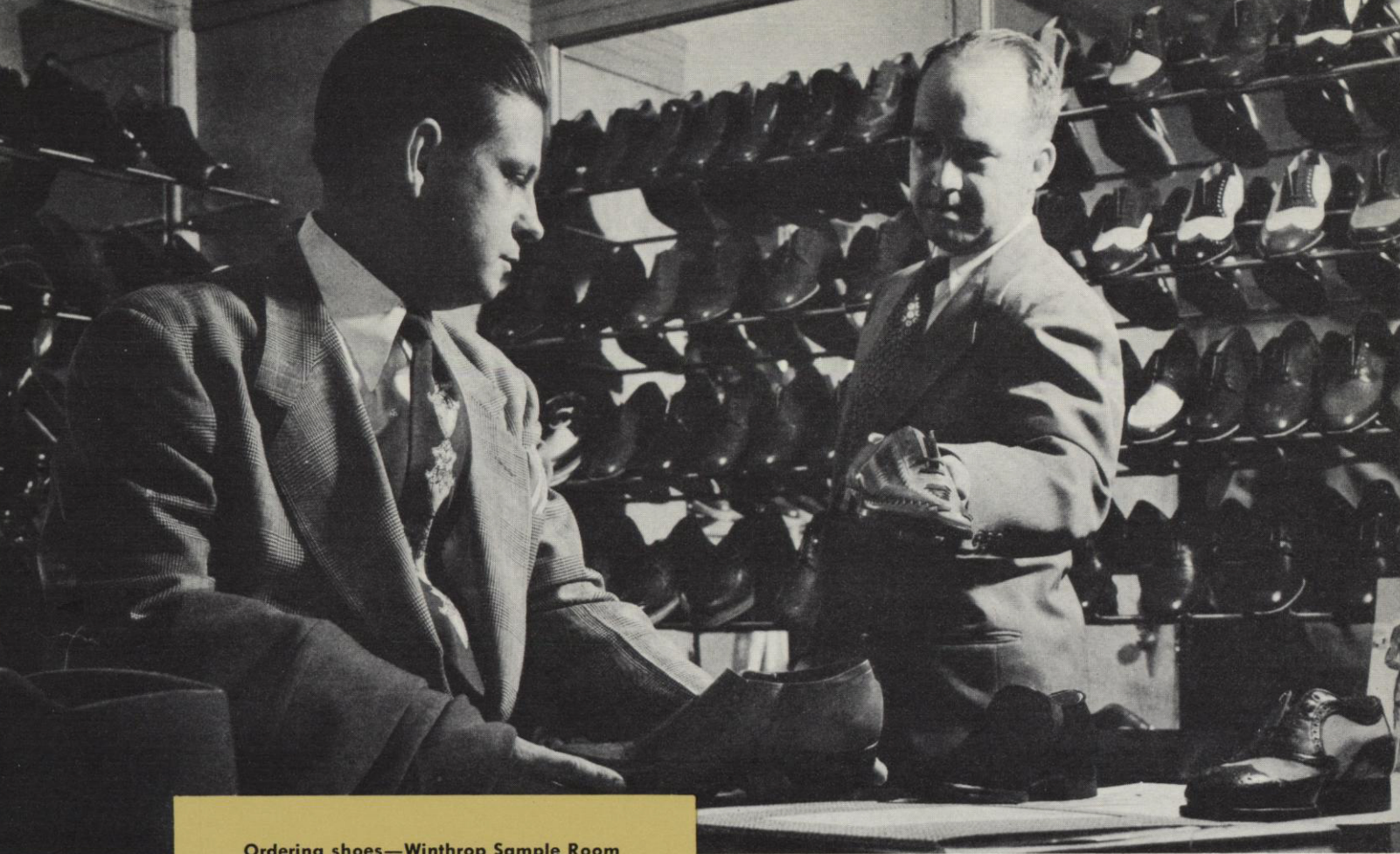
pent-up demand from getting "caught up" until 1949. Demand was such that all of our products were distributed on an allocation basis during the entire year of 1947 and into early 1948. Late in the spring of 1948, individual lines began to be "caught up." Others followed until by fall only children's shoes remained, and these were "caught up" early in 1949.

The result was that our Company met the problems of readjustment head-on in the year 1949. Problems centered on merchandising, balancing and reducing finished shoe inventories, on the one hand, and adjusting production lines for the manufacture of shoes for new market demands, on the other hand. In some cases, complete realignment of shoe manufacturing facilities was necessary, often entailing shifting of workers to new, unfamiliar jobs.

In all of these readjustments, one fundamental policy of our Company remained paramount—that of rigid adherence to the standards of quality in our various grades of shoes.

New lines of shoes were built and introduced containing the newer things with respect to types and lower prices. These new lines, some of which were not brought out until near the close of the year, have been well received.

Interest in these new lines, and favorable comment by retailers on International's maintenance of quality standards, point to increasing volume ahead.



Ordering shoes—Winthrop Sample Room

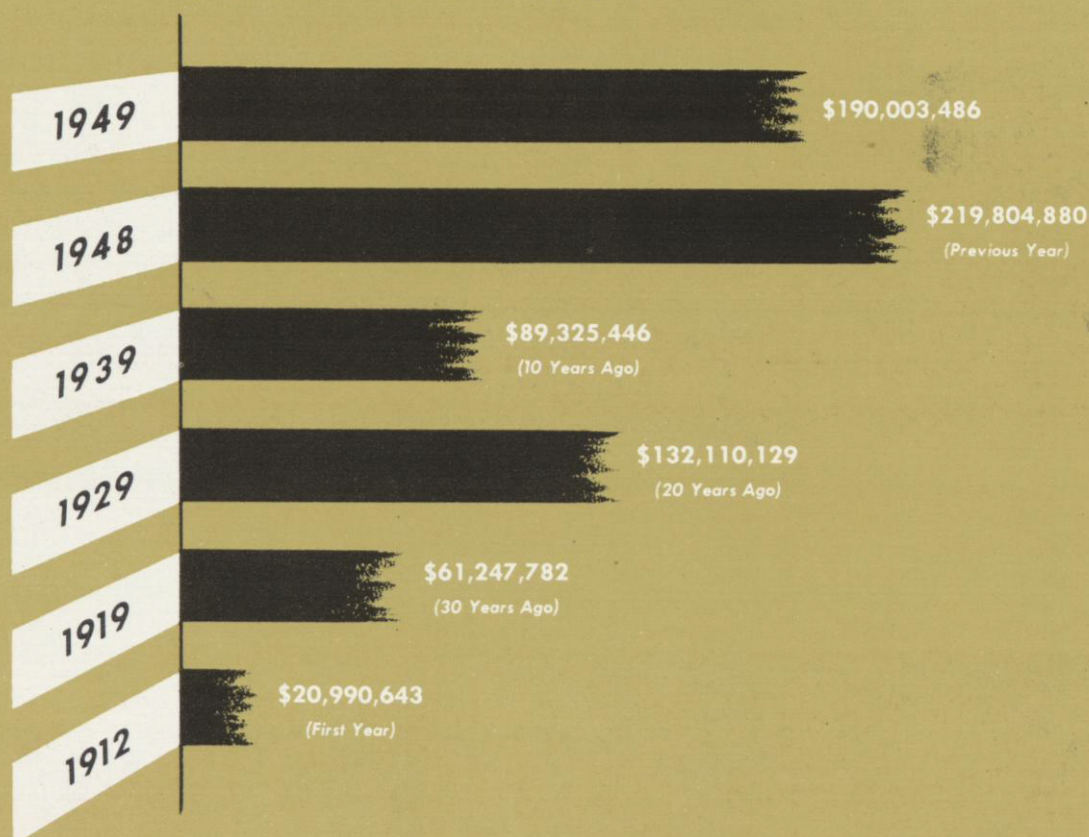


Shipping shoes—Delmar Warehouse

net sales



The dollar value of shoes shipped to our customers in 1949 was 13.5% less than the peak shipments of 1948.



The decrease in 1949 occurred principally in the first half of the year.

	1949	1948	DECREASE	PERCENT
First half	\$91,818,488	\$115,371,170	\$23,552,682	20.4
Second half	98,184,998	104,433,710	6,248,712	6.0

The effect on our Company of the shake-down of inventories and prices, which dominated the national economy during virtually all of our first half, was accentuated in that period by inventory reduction drives of the independent merchants, who are the majority of our customers, and who approached the

problem some months later than larger merchandising organizations.

The decrease in the second half of the year was due largely to lower prices—unit shipments being approximately the same in the second half of 1949 as in the corresponding period of the preceding year.

net profit



Net profit was 4.0% of net sales and 2.9% of total value of product.

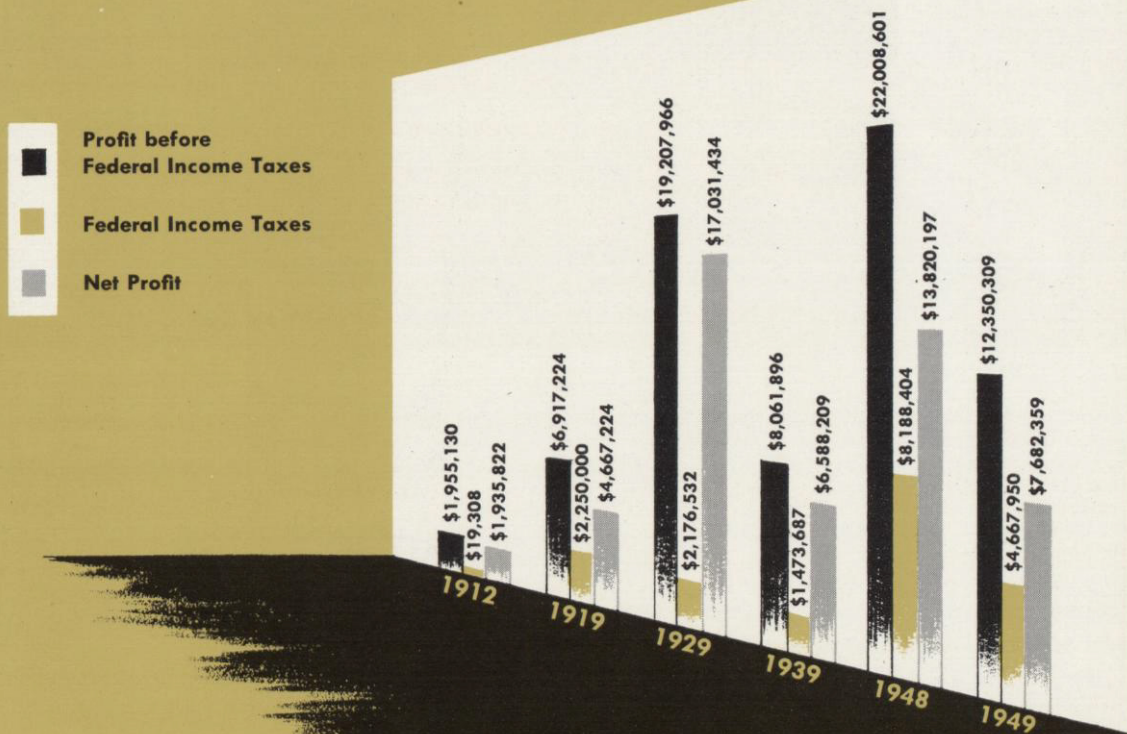
The 1949 result was affected by the many things which enter the cost of manufacturing and distributing during a period of readjustment. In addition, our margins were squeezed throughout the last seven months by the price reduction which was put into effect on April 18.

In this price action, our Company endeavored to take the lead in a downward trend of prices which appeared to be taking definite form. However, lighter hides and skins usable

generally in the manufacture of shoes did not decline. In fact, they stubbornly resisted the trend to lower prices, finally selling at higher prices. Similarly, other costs remained firm instead of softening.

After "sticking it out" for more than a half year, and with the return of an inflationary tinge to prices in the fall, we restored a large part of the April decrease in pricing the new spring lines. Shipment of these lines began December 1, 1949, the beginning of our 1950 fiscal year.

Here is a comparison of dollar profit, federal income taxes and net profit in 1949 with earlier years.



dividends

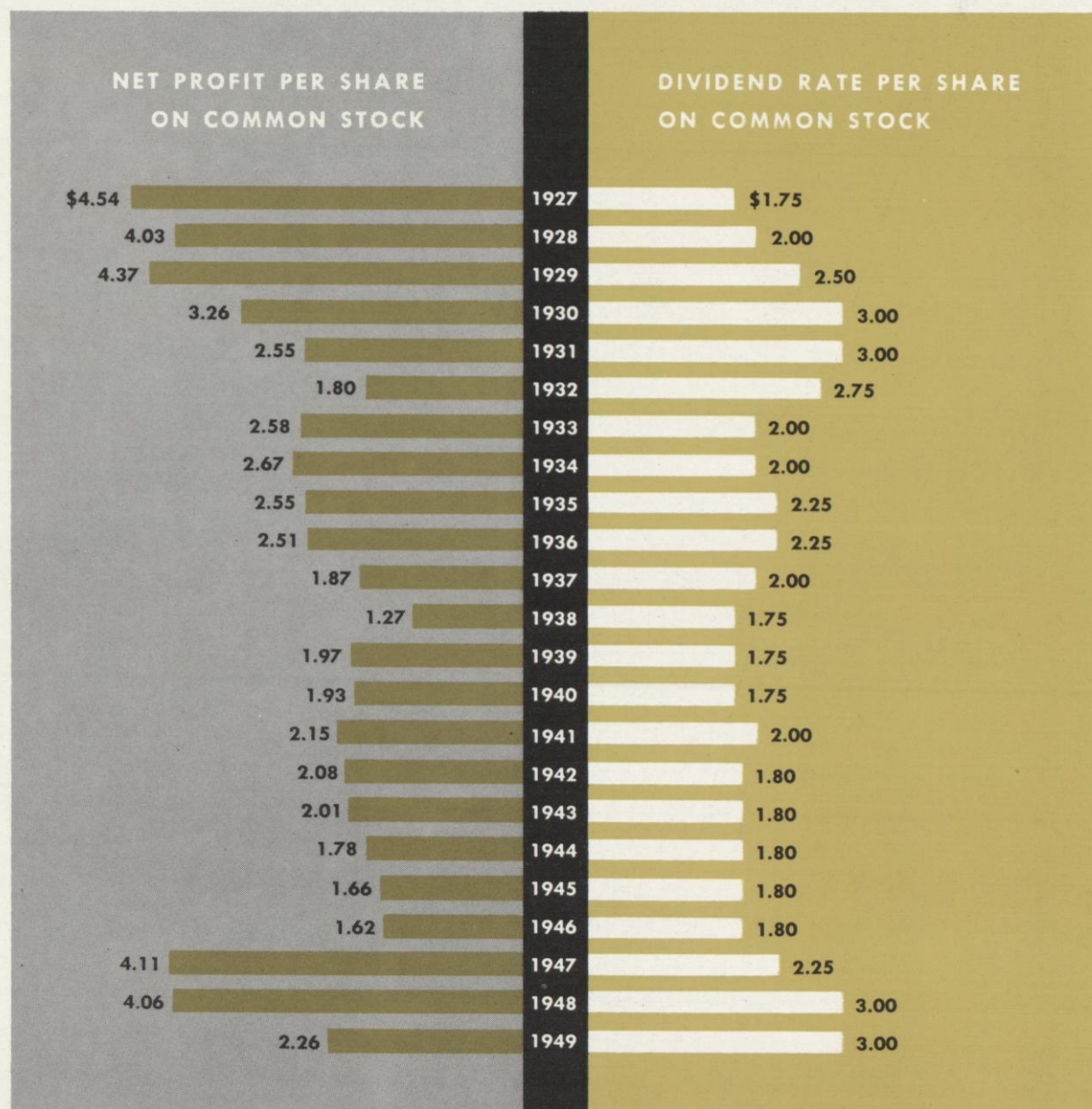


Dividends totaling \$3.00 per share were paid in 1949.

Company policy with respect to dividends is shown by its record. Our Company attempts to maintain fairly level dividend payments in line with existing conditions—in this way

avoiding erratic fluctuations so far as possible.

On January 1, our Company paid the 155th consecutive dividend on its Common Stock. Dividend payments on the Common Stock have now extended over 37 years without interruption.



Pulling upper over last



production



SHOES

The production of our shoe factories totaled 47,904,252 pairs for the year. This is more than 10% of all of the shoes produced in the United States.

Our production of shoes shows a decrease of about 12% for the year. Part of this is accounted for by reduction of finished shoe inventories during the year. Decrease in units shipped is about 9%.

While the industry's production of shoes in the period covered by the Company's fiscal year showed little change from the preceding year, this is true only of the aggregate of all kinds and types.

Important changes occurred in the production of particular classes of shoes. Indications at this time are that the industry production will show decreases of from 6 to 9% in men's, misses' and children's, infants' and babies' shoes. Offsetting this, industry production of house slippers and miscellaneous types will probably show an increase of 15%. Other significant changes are not disclosed by the statis-

tical methods used by the Bureau of Census in tabulating industry production. In the important classification of women's shoes, for example, no clear separation is made between the production of casual types and the production of the more conventional types. Were this done, the record would undoubtedly show a great increase in casual types with a contrasting decrease in conventional types.

A similar situation exists in growing girls', misses' and even in some children's shoes.

While play-shoes, sandals, and other kindred types appeared before the war, the casual shoe is really an outgrowth of the non-rationed shoe which was produced in such great quantities during the period of wartime shoe rationing.

Because of the later date at which our Company "caught up," as explained in the introductory paragraphs of this report, we were delayed in getting into production of casuals and other types which principally enabled the industry to show an annual aggregate of production approximately equal to 1948.

LEATHER AND OTHER MATERIALS

Used by Us in the Manufacture of Shoes

Shoes were the only product manufactured by our Company for sale to others, and the entire amount of \$190,003,486 in net sales shown for 1949 was shoes only (except for some inconsequential amounts).

If we had produced only these shoes, and had purchased all of the materials and supplies used in their production, our sales to customers would have been the same amount, \$190,003,486.

In addition, however, our Company engages in other production.

The summary of production on page 11 shows the large scale on which the Company

engages in the production of leather and other materials for use by it in the manufacture of shoes.

Eight tanneries—placing the Company among the largest tanners in the United States—a large rubber plant, a cotton mill, a welt manufacturing unit and numerous other supply plants making additional articles used in shoes add greatly to the extent and magnitude of the Company's total production.

All of the leather, rubber heels and soles, cloth, welting, bows, box toes, burnishing wax, cartons, cement, chemicals, patterns and other materials and supplies which are produced in

these plants are used in the manufacture of the Company's own shoes. For this reason, operation of the many plants producing these materials does not add to the amount of the Company's sales to others. Instead, this production goes right back into other production. When leather is produced at one of our tanneries, for example, it is transferred to one of our shoe factories where it is cut into parts of shoes, taking the place of leather which other-

wise would have to come from another tanner. If instead, the same leather were sold to another manufacturer, it would add to the Company's sales.

Thus, net sales of shoes does not accurately measure the extent and magnitude of the Company's operations.

Value of product does this better.

As shown previously, value of product for 1949 was \$263,027,321.



Making upper leather—Wood River Tannery

production summary

Our Company's principal production is shoes; and shoes are the only thing we produce for sale to others. In 1949, we produced:

SHOES

For Men and Boys	Pairs	16,135,536	<i>Of this type of production our Company sold \$190,003,486</i>
For Women and Girls	Pairs	13,105,756	
For Children	Pairs	17,682,537	
House Slippers	Pairs	980,423	
Total		47,904,252	

However, our Company carries on a vast amount of other production of things used in the manufacture of shoes. Of these we produced:

MATERIALS FOR SHOE UPPERS

Leather for Uppers (including Linings from Cattle Hides and Lambskins (Calf- skins and Goatskins tanned under con- tract not included)	Feet	62,620,809	<i>This type of pro- duction had an aggregate value of \$ 23,257,835</i>
Cloth for Linings from Cotton	Yards	5,143,651	

MATERIALS FOR SHOE BOTTOMS

Soles, of Leather (some shoes take several soles)	Pairs	76,338,640	<i>This type of pro- duction had an aggregate value of \$ 41,751,943</i>
Soles, of Rubber	Pairs	10,294,665	
Counters, of Leather	Pairs	22,908,052	
Heels, of Leather (some shoes take leather and rubber heels)	Pairs	13,527,948	
Heels, of Rubber	Pairs	22,783,338	
Leather, for soles from Cattle Hides . . .	Pounds	23,202,721	
Welting, Leather	Yards	17,234,694	

OTHER MATERIALS AND SUPPLIES USED IN SHOES AND FOR FASTENING, MAKING, AND PACKAGING SHOES

Boxes, Box Toes, Cartons, Cements, Chemicals, Patterns, and others	Not Itemized		<i>This type of pro- duction had an aggregate value of \$ 8,014,057</i>
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Total Value of Product—Shoes, Materials and Supplies \$263,027,321

working capital

	November 30 1949	November 30 1948	Increase (Decrease)
CURRENT ASSETS			
Cash and Government Securities	\$ 5,823,949	\$ 4,657,442	\$ 1,166,507
Accounts Receivable	28,854,146	33,763,344	(4,909,198)
Inventories	46,950,875	51,596,178	(4,645,303)
Prepaid Expenses	674,825	695,759	(20,934)
Total (Assets)	\$82,303,795	\$90,712,723	\$(8,408,928)
CURRENT LIABILITIES			
Notes Payable	\$ 3,000,000	\$ 5,000,000	\$(2,000,000)
Accounts Payable and Accrued Expenses	8,739,106	10,427,607	(1,688,501)
Reserve for Federal Taxes on Income	4,700,000	8,850,000	(4,150,000)
Other	853,677	1,040,044	(186,367)
Total (Liabilities)	\$17,292,783	\$25,317,651	\$(8,024,868)
Net Working Capital	\$65,011,012	\$65,395,072	\$(384,060)

Ratio of current assets to current liabilities was 4.8 at November 30, 1949 and 3.6 a year earlier.

Decrease in Accounts Receivable is in line with change in sales volume.

Inventories at a level of \$46,950,875 represent a minimum working amount, and a reduction from \$51,596,178 at November 30, 1948 and \$54,726,928 as late as May 31, 1949.



Order-filling

costs...prices



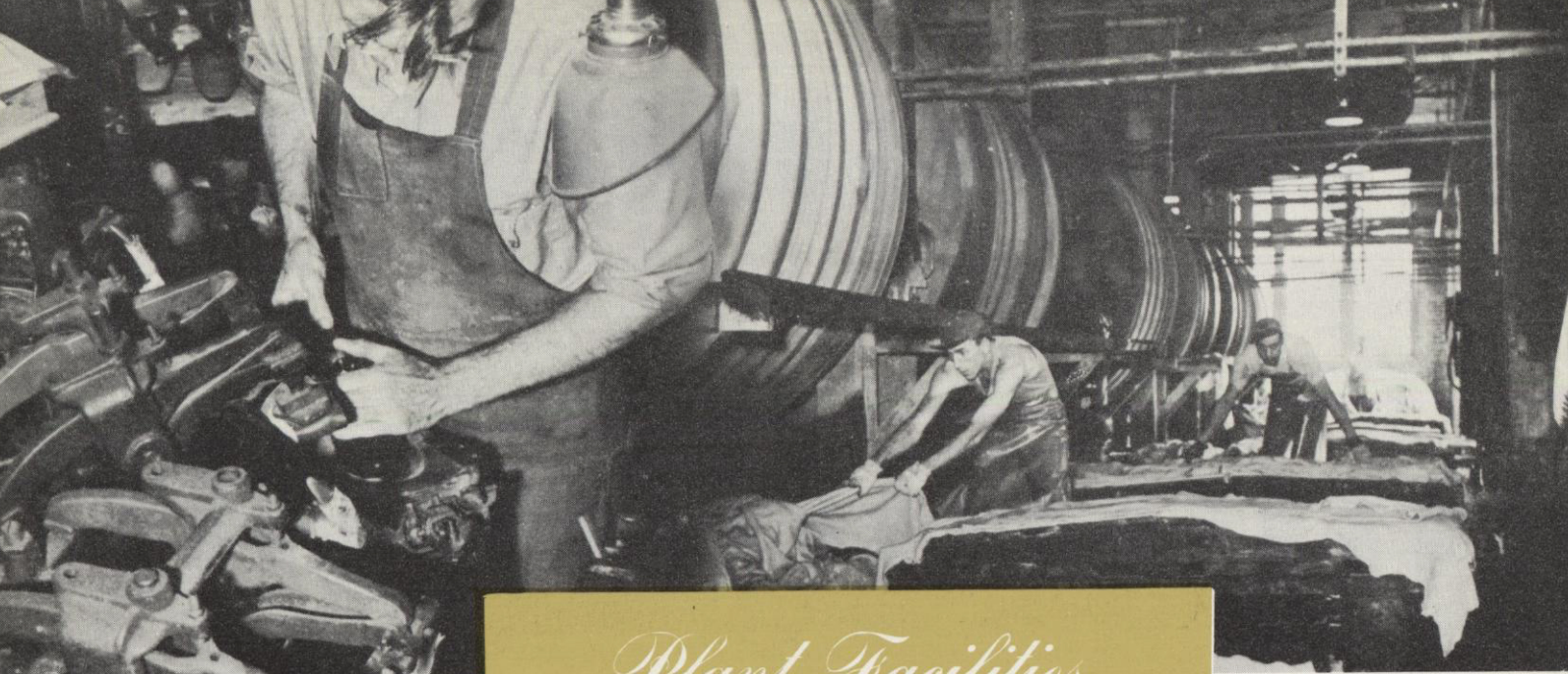
While costs are a matter of continuous concern to our management, the problems of dealing with cost were more pronounced in 1949 than in many years. With the changing conditions generally summed up under the word "readjustment," our management energetically endeavored to keep costs in line. The consolidation of production resulting from the closing of the marginal plants was one move of this kind. Drives were carried out in our factories to eliminate supervisory and indirect labor added during the war period and the period immediately following because of the great scarcity of manpower and resultant high labor turnover and green help.

On the other hand, it has been necessary to increase our forces in order-filling and warehousing operations in order to handle the many fill-in orders which our customers are sending in. Due to their own closer inventory control, our customers are seeking, and we are endeavoring to supply, a prompt service on orders for filling in their stocks. This has defi-

nately increased our cost of doing business, but it is a service our customers expect of us and which we are anxious to render.

Shoe prices generally held level throughout the year 1949. While the appearance of larger quantities of lower grade shoes tended to reduce the average price of all shoes produced, prices of identical shoes remained firm. In our own case, we reduced prices on April 18 in keeping with a trend in public thinking at that time. A corresponding decline in costs did not materialize, further confirming what must have been the experience of the industry that there was nothing in the cost structure to permit a decline in shoe prices.

In the presence of a strong buyer's market, much pressure is felt by the shoe manufacturer to accomplish a price reduction by a change in the quality of a given line of shoes. Our Company has held steadfastly to its long established policy of maintaining standards of quality.



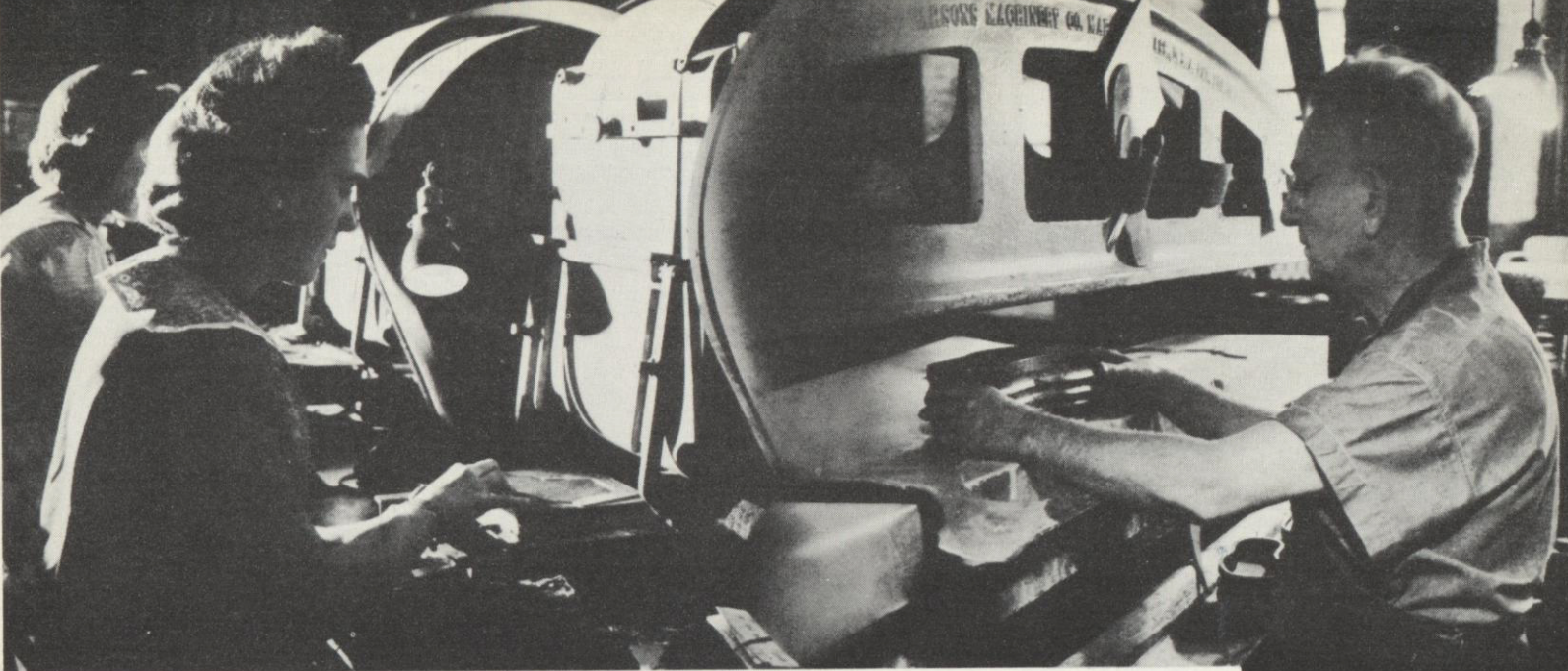
Plant Facilities

During the year, three shoe factories, three sole cutting plants, and one sole leather tannery were retired.

Throughout the Company's building program, recognition of the need for eventual retirement of the higher-cost and less efficient plants was given a definite place in its plans.

One of the retired shoe factories was operating in a plant which had been set up in a rented building during the war in connection with the reconstruction of worn army shoes, carried on by our Company on a large scale for several years during the war period. The other two shoe factories were located in an industrial center where a definite shift has occurred over the past two decades in the type of industrial activity for which the location is best suited. One of the sole cutting plants was a higher-cost, less efficient plant; the other two had been set up temporarily pending the completion of the new-built plants. The sole leather tannery was an extremely old plant, having been built by its original owner in 1889.





The Company's principal plant facilities now include:

MANUFACTURING PLANTS

Shoe Factories.....	55	Manufacturing Men's, Women's and Juvenile shoes.
Sole Cutting Plants.....	6	Producing leather outsoles, insoles, midsoles, counters.
Heel Plant.....	1	Building leather heels.
Rubber Plant.....	1	Manufacturing rubber soles and heels.
Cotton Textile Mill.....	1	Producing cloth for shoe linings.
Welt Manufacturing Plant.....	1	Producing leather welting.
Chemical Plants.....	2	Producing finishes, waxes, polishes and cements.
Box Plants.....	2	Producing cartons and containers.
Wood Heel Covering Plants.....	2	Covering and finishing wood heels.
Last Remodeling Plant.....	1	Last remodeling.
Findings Plant.....	1	Producing stripping, piping, bows, box toes and other shoe findings.

TANNERIES

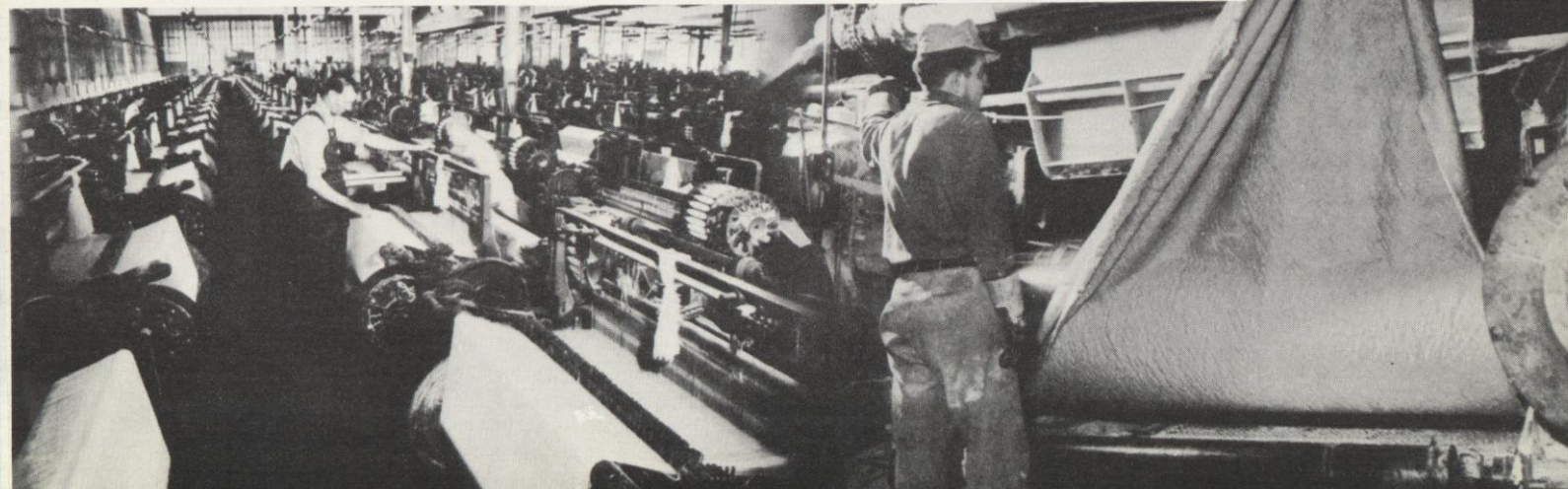
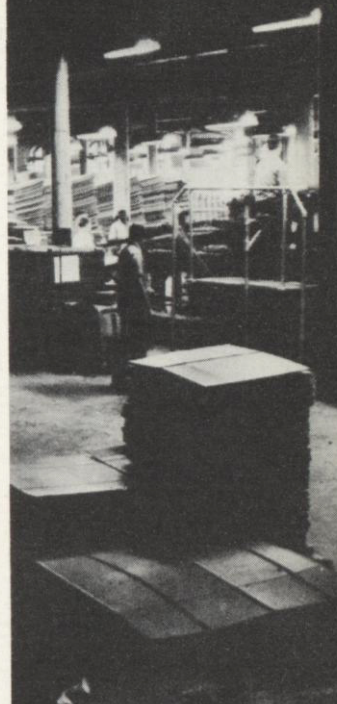
Upper Leather Tanneries.....	5	Tanning shoe upper leather.
Sole Leather Tanneries.....	3	Tanning shoe sole leather.

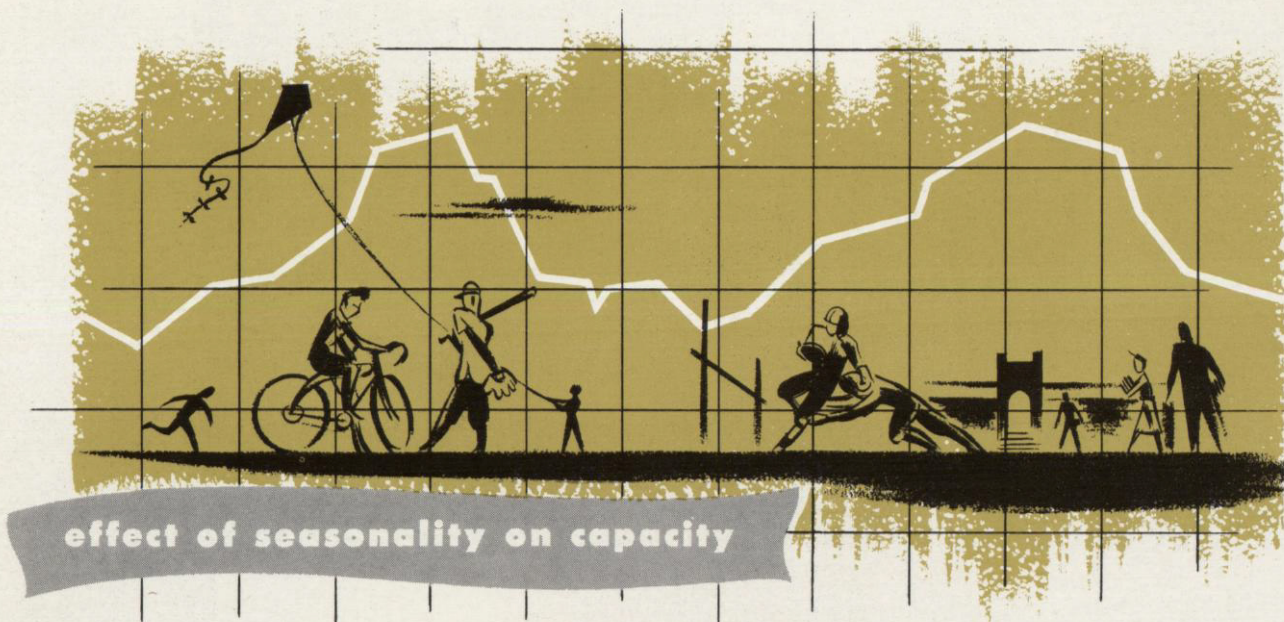
SUPPLY PLANTS

Upper Leather Supply Plants.....	2	Warehousing, grading and distributing upper leather to shoe factories.
Central Supply Plants.....	2	Distribution center for shoe findings, materials and supplies.
Central Machine Shops.....	2	Repairing and building machinery and equipment.

WAREHOUSING

Finished Shoes.....	4	Warehousing, order filling and shipping of finished shoes.
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The marked seasonal swings in the shoe business, so well recognized before the war, reappeared in 1948 and were accentuated in 1949.

When shoes are plentiful, the consumer buys them when it suits him. Perhaps Easter is the occasion for a bright new pair of shoes. The opening of school causes many mothers to scurry about getting the children ready, and this usually involves new shoes.

Whatever the impelling consideration, many people are moved by similar circumstances to do the same thing at the same time. And this makes for a rather definite pattern of busy and dull seasonal swings in the shoe retailer's business year.

It follows that, more and more, retailers want most of their shoes delivered to them within one comparatively short period in the spring season and another short period in the fall season. This results in two high shipping peaks, one in the spring and the other in the fall, with a swing downward and again upward, to and from a low point in between.

Because of the complexity of shoe merchandising—with its great variety of styles, colors, widths and lengths—it is extremely difficult to anticipate the quantities of the particular shoes which customers will want. For this reason, the swings in delivery of shoes by manufacturers become swings almost as wide

in the production end of the business.

To attempt to meet completely this demand for great concentration of delivery of an extremely complex article within such a short space of time would call for having manufacturing facilities, fully manned and standing by, operating on a token basis for a couple of months in each season in order to be ready to go into feverish activity when signaled to do so by the receipt of the flood of seasonal orders.

While perfection in this respect is wholly impracticable and would eventually raise the cost of producing and distributing shoes to an uneconomical level—it is true, nevertheless, that a considerable amount of seasonality in shoe production must exist along with the seasonality in delivery of shoes.

The significant thing about seasonality is its effect on the capacity of shoe manufacturing facilities. When seasonality in demand is coupled with the effect of seasonality in style and kindred matters, it is a fair estimate that the effective annual capacity of a given plant is around 75% to 80% of its calculated capacity on a straight full run basis.

When the pattern of seasonality is definitely established, recognition of the new lowered capacity of the plant enters into the calculated cost of producing shoes and eventually is paid for in the price of shoes.



Values

Four years after the end of World War II, the general price level remains high. Some individual items remain high because of shortage in supply. Many other items remain relatively high because of government price supports—such as some farm products which have overflowed all storage facilities.

Artificiality of price backed by Government power is common all over the world.

In our own United States, lower prices have been predicted and confidently expected by economists, bankers and businessmen regularly over the past four years. So far, comparatively little decrease in the consumers' general price level has materialized, this despite the fact that supply has "caught up" with demand in virtually all industries.

The cost of living index number of the U. S. Department of Labor, which reached a post-war high of 174.5 in August 1948, declined slowly at the opening of 1949, and it was freely predicted that the number would reach as low as 165 by June and decline to 163 or below by the end of 1949. Again, this did not happen. The low point reached was 168.5. After rising approximately 40% since the end of the war, it has now declined only about 3%.

With the spending pace set by an open-handed government living beyond its income, it appears that dollars will continue plentiful, with the result that the dollars-goods equation, namely price, will continue high.

A rather high level of prices apparently is being established as one which will be more or less permanent. Whether this level will fluctuate around a point 50% above prewar, or 100%, no one can tell, but that it will be much higher than prewar is almost certain.

When this new level is established, of course, it will not be "high." When we have all become accustomed to it, it will be simply the new "norm," from which "high" and "low"

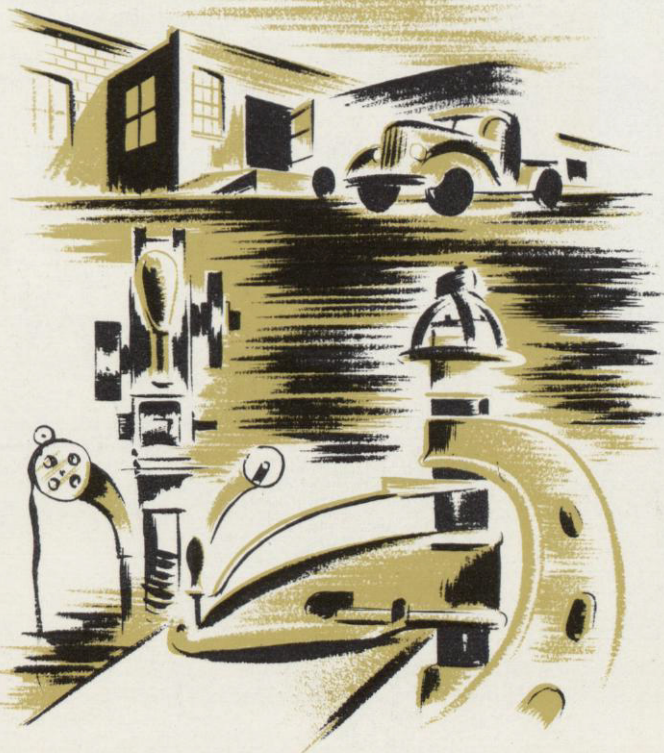
prices will be measured.

Of interest in this connection are the values of properties that do not have today's price tag on them.

Like the balance sheets of almost all corporations which have been in business for many years, the values shown on our balance sheet do not reflect current values in respect of certain important assets, the two principal ones being inventories and physical properties.

INVENTORIES—By use of the last-in, first-out method, our inventories are carried on an extremely conservative basis.

PHYSICAL PROPERTIES—Our Company engineers, with the assistance of outside agencies, estimate that it would cost approximately \$95,000,000 to replace our physical properties today. This would be the cost of them *new*. They vary in age from a few years up to forty or more. All of them, however, have been well maintained. After allowing for depreciation from age and wear, the net sound value is estimated at approximately \$55,000,000 which compares with the net value on our balance sheet of \$20,500,000.



INTANGIBLES—The subject of values should not be concluded without reference to one which is most important of all—the intangible asset of every well-established business with a long record of consistent earnings—that of customer and public good-will.

The X number of prewar dollars which this, our greatest asset, was worth may also be re-valued on the basis of today's price level. By the maintenance of standards of quality, sometimes under pressure of temporary adverse results, over a great many years, our Company has established its name and brands as ones

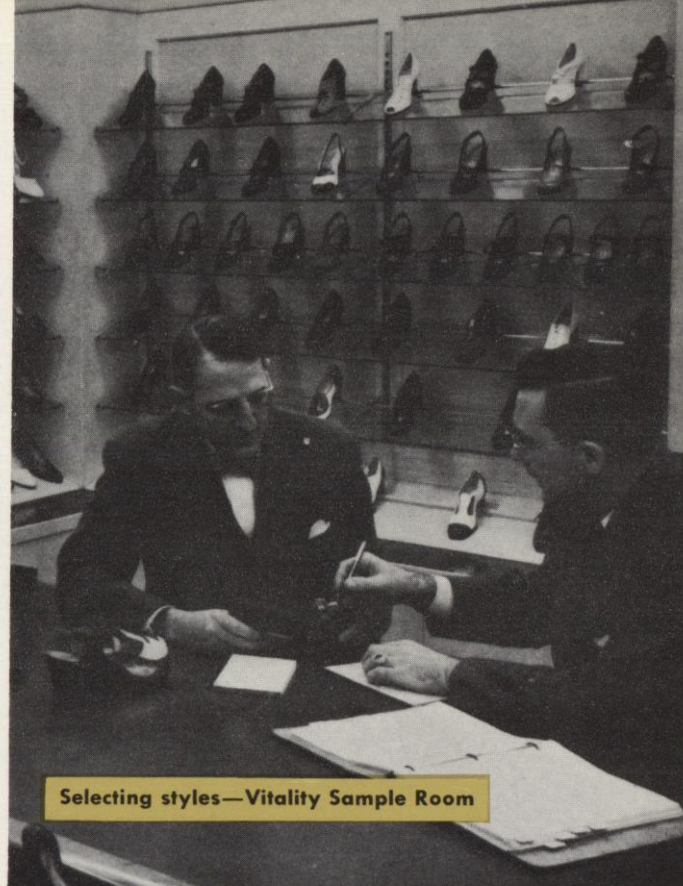
which elicit friendly warmth and appreciation. By years of fair dealing, sometimes at the expense of profits (such as during the recent war when its allocation of shoes in short supply was maintained unwaveringly), our Company has built up good-will of which it is justly proud. The X value of it in terms of today's dollar is higher than the X value in terms of the prewar dollar—certainly by the same kind of percentages which reflect increases in prices of various articles.

As you know, no value is ascribed in our balance sheet to this greatest of all assets.






Awarding prizes in bicycle contest
conducted by Merchants Service Store



Selecting styles—Vitality Sample Room



Trimming store window, Searcy, Arkansas



Modern Juvenile shoe store, Houston, Texas

Our Customers

International shoes are distributed through 30,000 independent retail merchants.

They are located in all of the 48 states, Alaska, Hawaii, Puerto Rico, the Canal Zone and a number of foreign countries.

Their places of business are found in the hearts of the great cities, in the shopping sections of suburbs, in the smaller cities, the county seat town, towns near the farms, the small villages and at the crossroads.

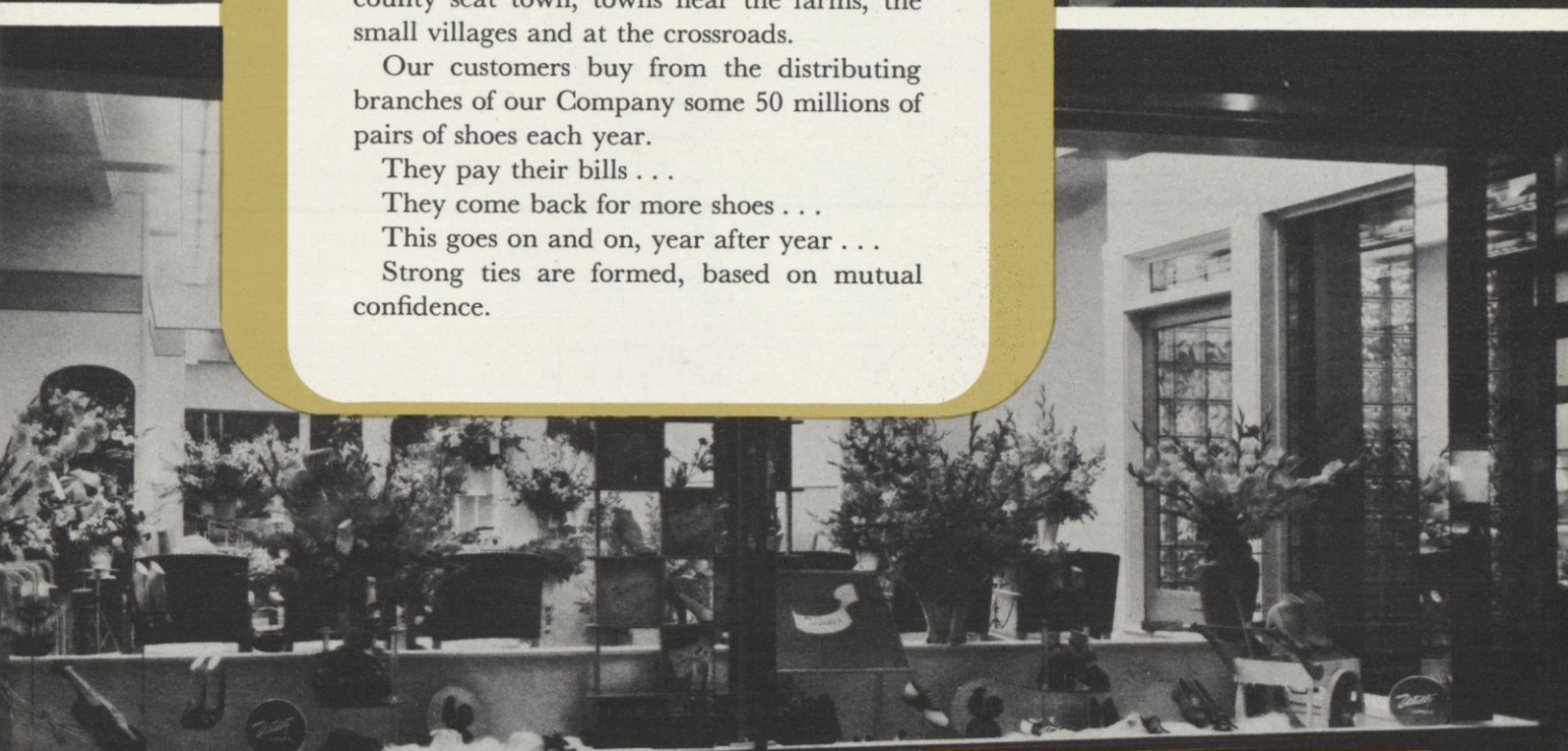
Our customers buy from the distributing branches of our Company some 50 millions of pairs of shoes each year.

They pay their bills . . .

They come back for more shoes . . .

This goes on and on, year after year . . .

Strong ties are formed, based on mutual confidence.



Vitality and Weatherbird shoes—Massillon, Ohio

Our Employees

Approximately 35,000 men and women were employed by our Company at the close of 1949. A reduction of some 2,000 during the year resulted principally from the retirement of the plants referred to elsewhere in this report.

In our new employee contracts made in the fall, the cost-of-living escalator clause which was in the two previous contracts was eliminated. Wage rates in effect at the close of the previous contract were agreed to as firm rates for the present contract year.

Six union representation elections were held during the year under the supervision of the National Labor Relations Board. In all but one, the employees voted against union affiliation, preferring to continue to deal directly with the Company, as in the past, in the matter

of wages, hours, and working conditions.

Interest and participation of our employees in group benefit plans continued high. 87% carry group life insurance for an aggregate amount of about 75 million dollars, and more than 77% are enrolled in the accident and health insurance program. Benefits received by employees and their families last year amounted to almost three-quarters of a million dollars. The programs are financed by contributions from the employees and the Company.

During the year, several registered nurses were added to our medical staff for the better care of employees. Meanwhile, the efficient operation of the Company's safety program continues to reduce accidents and disability.



Wholesome food at low cost
is served in Company cafeterias



Meeting of International's Progress Club
held at Missouri Athletic Club, October 20,
attended by supervisory personnel



Medical Director instructing group of
International Shoe Company's registered nurses



plant communities

Over the year, our Company continued to be an effective part of the communities in which we operate. Open house programs were held in many of our new plants during the year. In each program, several thousand local citizens of the community had an opportunity to visit the plant and meet the supervisory personnel. Company representatives took part in many other community projects and provided exhibits and booths for fairs and various other celebrations. In addition, they attended

and frequently were speakers at many meetings of chambers of commerce, service clubs, colleges, high schools, industrial conventions, and other groups. In this way they remained in touch with the Company's many friends—with community leaders, business and professional people.

Good community relations not only improve local plant operations but those of industry as a whole and nurture private enterprise throughout our nation.



\$3,000 must be invested to cover the cost of the job of each employee. This money must go into buildings and machines, and also into materials, in order that an International employee may hang up his hat in the morning, step up to his machine and earn a day's wages.

In addition to these things this money must also be available for pay rolls and investments in goods in process and finished goods while they are being made and while they are on the way to the customers.

Who are the people who invest this money in our Company?

They include the grocer, the mechanic, the office clerk, the International employee himself and others in nearly every walk of life—12,000 of them living in every state of the

Union plus 13 United States possessions and foreign countries.

Twenty-three universities, schools, and colleges in 12 states own a part of International. So do 57 churches, hospitals, and charitable organizations in 10 states. Many insurance companies have invested some of the savings of their policyholders in International stock.

The state having the smallest number of stockholders is Nevada with 5, while Missouri has the largest number—some 5,700. Twenty-six people living outside the United States have invested their money in our Company.

No one person owns as much as 5 percent of the total stock.

More than half of the individuals who are stockholders in our Company are women.

TAXES

There was no change in the corporation income tax rate in 1949.

The Company's tax returns have been examined through 1946 and full settlement has been made.

Refunds under the replacement provisions of the Internal Revenue Code, Section 22

(d) (6), relating to inventories maintained on the "last-in, first-out" method, amounting to \$2,412,045.28, were received from the Federal Government during the year.

The Company's claims under Section 722, the excess profits tax relief measure, are still pending.

RESERVES

Workmen's Compensation Liability is now insured by one of the country's largest under-

writers and reserves heretofore carried as self-insurer have been transferred to surplus.

Frank C. Rand

1876 — 1949

It is with profound sadness that we record the death of Frank C. Rand on December 2, 1949.

For more than fifty years he was an honored figure in our Company and for much of that time he was our leader.

He started his career in 1898 with the Roberts, Johnson and Rand Shoe Company and was active in the organization of the International Shoe Company in 1911, becoming Vice-President at that time.

He was President of the Company from 1916 to 1930 and Chairman of the Board from 1930 until his death.

Mr. Rand was a man of large affairs and wide interests, business, civic, educational and philanthropic. His greatest interest, however, was the International Shoe Company. His faith in the Company and his pride in it and its organization were expressed by him on many occasions.

We are grateful that we had him with us for so many years and that in his life with us he established a heritage of thoughts, principles and ideals which remain with us as an inspiration for the future.

IN CONCLUSION

This has been a year of adjustment and balancing of product and of inventories.

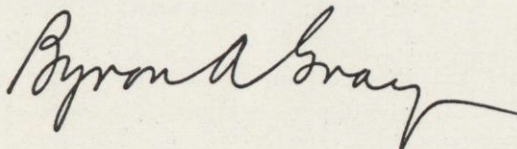
With flexible production facilities and an efficient, loyal organization, we are in a position to concentrate the strength of the Company on distribution and service to its customers.

We begin 1950 with confidence in the prin-

ciples which have proven themselves through the years by the success of the Company, and with confidence in our ability to meet problems as they arise.

We are determined to carry on aggressively our program of sound and continued progress.

FOR THE BOARD OF DIRECTORS



President

February 4, 1950

accountants' report

Peat, Marwick, Mitchell & Co.

To the Board of Directors,
International Shoe Company,
St. Louis, Missouri.

We have examined the balance sheets of the International Shoe Company (a Delaware corporation) and its wholly owned subsidiary, the Twelfth-Delmar Realty Company (a Missouri corporation), as of November 30, 1949 and the related statements of profit and loss and surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of profit and loss and surplus present fairly the financial position of the International Shoe Company and of the Twelfth-Delmar Realty Company at November 30, 1949 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

St. Louis, Missouri,
December 31, 1949.

balance sheet

AS OF NOVEMBER

ASSETS

	1949	1948
CURRENT ASSETS:		
Cash in banks and on hand	\$ 5,672,283	\$ 4,505,776
United States Government securities at cost, and accrued interest	151,666	151,666
Accounts receivable—customers', including sundry of \$109,717 in 1949 and \$155,593 in 1948, less reserve for cash discounts and doubtful accounts	28,854,146	33,763,344
Inventories:		
At cost (determined on the "last-in, first-out" method):		
Finished shoes	\$ 15,740,287	\$ 17,536,811
Shoes in process	3,438,036	3,441,707
Hides and leather	12,298,942	13,241,614
At lower of cost or market:		
Miscellaneous materials and supplies on hand and in process	<u>15,473,610</u> 46,950,875	<u>17,376,046</u> 51,596,178
Prepaid expenses—insurance premiums, taxes, and sundry	674,825	695,759
	82,303,795	90,712,723
OTHER ASSETS:		
Amounts of Federal income taxes recoverable under the replacement provisions (Section 22 (d) (6) of the Internal Revenue Code) relating to inventories maintained on "last-in, first-out" method	676,077	3,088,123
Employees' notes receivable under installment stock purchase plan—secured by 64,800 shares in 1949 and 65,200 shares in 1948 of Company's common stock	2,295,450	2,400,501
Investment in Twelfth-Delmar Realty Company (wholly owned subsidiary)	250,000	250,000
Investment in and advances to other subsidiary and associated companies (less reserve)	203,905	315,405
Investment in stocks of other companies, etc. (less reserve)	<u>850,877</u> 4,276,309	<u>661,590</u> 6,715,619
PHYSICAL PROPERTIES—Tanneries, shoe factories, supply departments, and sales branches (based on appraisal as of April 30, 1925, plus subsequent additions at cost):		
Land and water rights	1,977,361	1,980,019
Buildings and structures	25,416,409	24,924,160
Machinery and equipment	24,780,108	23,747,431
Lasts, patterns, and dies	1	1
	52,173,879	50,651,611
Less—Reserve for depreciation	<u>31,663,979</u> 20,509,900	<u>30,255,702</u> 20,395,909
	<u>\$107,090,004</u>	<u>\$117,824,251</u>

balance sheet

30, 1949 AND 1948

LIABILITIES

	1949	1948
CURRENT LIABILITIES:		
Notes payable to banks	\$ 3,000,000	\$ 5,000,000
Accounts payable and accrued expenses	8,739,106	10,427,607
Due to subsidiary companies	79,352	90,047
Employees' income tax withheld from payroll	361,963	406,377
Stockholders' and employees' balances, including partial payments for government bonds	412,362	543,620
Reserve for Federal taxes on income	<u>4,700,000</u>	<u>8,850,000</u>
	17,292,783	25,317,651
 RESERVES:		
For excess cost of replacing inventories maintained on the "last-in, first-out" basis, less income taxes applicable thereto	—	\$ 65,000
For insurance	—	<u>608,669</u> 673,669
 CAPITAL STOCK AND SURPLUS:		
Common stock without nominal or par value.		
Authorized 4,000,000 shares; issued and outstanding— 3,400,000 shares	\$ 51,000,000	51,000,000
Capital surplus	1,354,289	1,354,289
Earned surplus	<u>37,442,932</u> 89,797,221	<u>39,478,642</u> 91,832,931
	<u>\$107,090,004</u>	<u>\$117,824,251</u>

International Shoe Company

Statement of Profit and Loss

For the years ended November 30, 1949 and 1948

	1949	1948
Net sales of shoes and other manufactured merchandise; and inter-plant transfers (at approximate market) from the Company's own supply plants (tanneries, cotton mill, rubber plant, cut sole plants, etc.) to shoe factories	\$263,027,321	\$309,674,450
Less—Inter-plant transfers	73,023,835	89,869,570
Net sales to customers	190,003,486	219,804,880
Other income	89,816	121,918
Reduction in reserve provided for excess cost of replacing inventories maintained on the "last-in, first-out" basis	65,000	85,000
	<u>\$190,158,302</u>	<u>\$220,011,798</u>
Cost of shoes and merchandise sold, after charging operating expenses, maintenance of physical properties, selling, administrative, and warehouse expenses, and credit losses, less discount on purchases	175,592,821	196,199,824
Depreciation of physical properties	1,961,055	1,716,982
Other charges	254,117	86,391
Provision for Federal taxes on income, less in 1948 estimated refunds of \$413,506 resulting from excess cost of replacing during year inventories maintained on "last-in, first-out" basis	4,667,950	8,188,404
	<u>\$182,475,943</u>	<u>\$206,191,601</u>
NET PROFIT FOR YEAR	<u>\$ 7,682,359</u>	<u>\$ 13,820,197</u>

Statement of Capital Stock and Surplus

For the years ended November 30, 1949 and 1948

	1949	1948
Common Stock and Surplus at beginning of year:		
Common stock (outstanding 3,400,000 shares)	\$ 51,000,000	\$ 51,000,000
Capital surplus	1,354,289	1,354,289
Earned surplus	39,478,642	35,858,445
	<u>91,832,931</u>	<u>88,212,734</u>
Self-insurance reserve—no longer required	481,931	—
Net profit for the year	7,682,359	13,820,197
	<u>99,997,221</u>	<u>102,032,931</u>
Dividends on common stock—\$3.00 per share per annum	10,200,000	10,200,000
Common Stock and Surplus at end of year	<u>\$ 89,797,221</u>	<u>\$ 91,832,931</u>
Divided as follows:		
Common stock (outstanding 3,400,000 shares)	51,000,000	51,000,000
Capital surplus	1,354,289	1,354,289
Earned surplus	37,442,932	39,478,642
	<u>\$ 89,797,221</u>	<u>\$ 91,832,931</u>

Fiscal Year	Net Sales and Inter-Plant Transfers (a)	Net Sales excluding Inter-Plant Transfers	Net Profit before Federal Taxes on Income	Federal Taxes on Income (b)	Net Profit	Dividends Declared on Preferred Stock	Net Profit Available for Common Stock	Net Profit per Share on Common Stock (c)	Dividend Rate per Share on Common Stock	Shares of Outstanding Preferred Stock (d)	Shares of Outstanding Common Stock (d)
1912		20,990,643	1,955,130	19,308	1,935,822	577,500	1,358,322	10.65		82,500	127,500(k)
1913		26,005,299	1,834,468	18,762	1,815,706	653,875	1,161,831	9.11	7.00	94,250	127,500
1914		24,114,860	1,523,619	14,721	1,508,898	659,750	849,148	6.66	7.00	94,250	127,500
1915		24,439,107	1,822,938	18,049	1,804,889	659,750	1,145,139	8.98	6.00	94,250	127,500
1916		33,574,914	4,189,409(e)	79,152	4,110,257(e)	659,750	3,450,507	27.06	7.00	94,250	127,500
1917		45,037,293	5,353,980	1,270,000	4,083,980	697,125	3,386,855	26.56	7.00	100,000	127,500
1918		50,810,947	4,397,880	1,585,000	2,812,880	700,000	2,112,880	16.57	8.00	100,000	127,500
1919		61,247,782	6,917,224	2,250,000	4,667,224	700,000	3,967,224	31.11	7.00	100,000	127,500
1920		75,617,895	8,914,491	2,644,257	6,270,234	846,250	5,423,984	42.54	8.00	122,500	127,500
1921		73,839,153	5,025,441	859,247	4,166,194	1,128,190	3,038,004	3.33	1.68	177,643	911,279(l)
1922		97,366,403	11,739,821	1,502,864	10,236,956	1,414,945	8,822,011	9.60	2.00	179,142	918,006
1923		109,922,738	11,703,988	1,405,347	10,298,641	1,421,753	8,876,888	9.64	2.75	178,000	920,000
1924	154,758,491	110,240,651	15,123,263	2,062,468	13,060,795	1,424,000	11,636,795	12.64	4.00	178,000	920,000
1925	166,834,834	114,265,987	14,594,410	1,872,965	12,721,444	1,424,000	11,297,444	12.27	5.00	100,000	920,000
1926	172,913,346	116,980,835	15,279,118	2,061,542	13,217,576	600,000	12,617,576	13.71	6.00	100,000	920,000
1927	189,028,429	124,306,333	20,478,632	2,780,174	17,698,457	600,000	17,098,457	4.54	1.75	100,000	3,760,000(m)
1928	201,622,037	122,694,532	17,973,205	2,211,429	15,761,775	600,000	15,161,775	4.03	2.00	100,000	3,760,000
1929	204,962,637	132,110,129	19,207,966	2,176,532	17,031,434	600,000	16,431,434	4.37	2.50	100,000	3,760,000
1930	159,481,013	102,393,618	14,597,599	1,723,495	12,874,104	600,000	12,274,104	3.26	3.00	100,000	3,760,000
1931	132,479,371	86,802,293	11,088,135	1,343,319	9,744,815	600,000	9,144,815	2.55	3.00	100,000	3,510,000
1932	96,732,775	65,488,662	7,729,920	1,082,392	6,647,527	600,000	6,047,527	1.80	2.75	100,000	3,350,000
1933	105,302,056	70,343,128	10,764,075	1,673,508	9,090,566	425,810	8,664,756	2.58	2.00	100,000	3,350,000
1934	115,382,430	77,168,682	10,866,266	1,899,241	8,967,024		8,967,024	2.67	2.00	100,000	3,350,000
1935	118,157,495	83,073,459	10,031,599	1,489,637	8,541,962		8,541,962	2.55	2.25	100,000	3,350,000
1936	127,200,702	84,856,709	9,771,444	1,354,517	8,416,926		8,416,926	2.51	2.25	100,000	3,350,000
1937	137,393,752	88,278,810	7,394,495	1,127,503	6,266,992		6,266,992	1.87	2.00	100,000	3,350,000
1938	117,317,127	80,828,631	4,890,762	622,475	4,268,286		4,268,286	1.27	1.75	100,000	3,350,000
1939	132,753,494	89,325,446	8,061,896(f)	1,473,687	6,588,209(f)		6,588,209	1.97	1.75	100,000	3,350,000
1940	133,219,725	89,257,329	8,122,117	1,648,505	6,473,611		6,473,611	1.93	1.75	100,000	3,350,000
1941	175,541,874	116,530,243	9,691,079	2,484,042	7,207,037		7,207,037	2.15	2.00	100,000	3,350,000
1942	219,309,802	144,256,388	16,634,160(g)	9,639,207	6,994,952(g)		6,994,952	2.08	1.80	100,000	3,350,000
1943	211,356,750	142,841,095	18,690,734(h)	11,953,086	6,737,648(h)		6,737,648	2.01	1.80	100,000	3,350,000
1944	227,134,200	156,642,087	13,219,835	7,250,710	5,969,125		5,969,125	1.78	1.80	100,000	3,350,000
1945	223,088,844	148,783,704	10,731,210	5,162,490	5,568,720		5,568,720	1.66	1.80	100,000	3,350,000
1946	202,458,992	135,031,487	3,296,367(i)	(2,152,414)(j)	5,448,781		5,448,781	1.62	1.80	100,000	3,350,000
1947	304,357,684	212,918,192	22,593,779	8,591,762	14,002,017		14,002,017	4.11	2.25	100,000	3,400,000
1948	309,674,450	219,804,880	22,008,601	8,188,404	13,820,197		13,820,197	4.06	3.00	100,000	3,400,000
1949	263,027,321	190,003,486	12,350,309	4,667,950	7,682,359		7,682,359	2.26	3.00	100,000	3,400,000

NOTE: The above tabulation with respect to certain years presents the figures of the Company and its subsidiaries consolidated. The major subsidiaries consolidated during the period have since been liquidated and the business previously carried on by these subsidiaries was continued by the Company. Several minor subsidiaries previously consolidated have not been consolidated subsequent to 1943; the unconsolidated subsidiaries are not significant and their exclusion does not materially affect the comparisons over the years. (a) Includes production of shoe materials and supplies by own supply plants (tanneries, cotton mill, rubber plant, etc.) in addition to net sales of shoes and other manufactured merchandise. Figures not available prior to 1924. (b) Federal taxes on income include excess profits taxes in years where applicable. (c) Based on shares of common stock outstanding at close of fiscal year. (d) Number of shares outstanding at close of fiscal year; common stock includes, where applicable, Company's own common stock held for re-sale carried as an asset. (e) Before provision of \$1,000,000 for trade conditions affecting raw materials market; reserve transferred to surplus during fiscal year 1921. (f) After providing \$550,000 for contingencies. (g) After providing \$450,000 for contingencies. (h) After providing \$222,447 for contingencies. (Net amount of income tax refundable due to carry back provisions of the Internal Revenue Code. (i) After giving effect to exchange of each share of \$100 par value Common Stock (Mo. Corporation) for 6 shares no par value Common Stock (Del. Corp.). (m) After stock split-up on the basis of 4 shares for one.

TWELFTH-DELMAR REALTY COMPANY

BALANCE SHEET

As of November 30, 1949 and 1948

	1949	1948
Assets		
Cash in banks and on hand.....	\$ 151,884	\$ 110,424
Accounts receivable.....	31,296	20,481
Prepaid expenses.....	185	—
Land (\$880,386), building, and equipment, at cost, less depreciation, \$102,302 in 1949 and \$30,084 in 1948—pledged as collateral on mortgage notes payable.....	3,260,828	3,321,783
	<u>\$3,444,193</u>	<u>\$3,452,688</u>
Liabilities		
Mortgage notes payable to banks, maturing \$8,333 monthly to October 1, 1953, and balance due November 1, 1953.....	\$2,991,667	\$3,091,667
Accounts payable and accrued expenses, including amounts with- held for taxing authorities.....	119,297	91,237
Capital stock—authorized 1,000 shares without par value; issued and outstanding—250 shares.....	250,000	250,000
Surplus.....	83,229	19,784
	<u>\$3,444,193</u>	<u>\$3,452,688</u>

STATEMENT OF PROFIT AND LOSS AND SURPLUS

For the year ended November 30, 1949 and period ended November 30, 1948

	1949	1948 (Five Months)
Income from rentals and services (International Shoe Company, \$137,324 in 1949 and \$27,332 in 1948).....	\$ 499,568	\$ 181,244
Operating and maintenance costs, including depreciation, \$72,218 in 1949 and \$30,084 in 1948.....	294,220	111,127
General and administrative expenses.....	11,642	3,164
Interest on mortgage notes payable.....	91,375	40,817
Federal taxes on income—estimated.....	38,886	6,352
	<u>\$ 436,123</u>	<u>\$ 161,460</u>
NET PROFIT FOR YEAR OR PERIOD.....	63,445	19,784
Surplus at beginning of period.....	19,784	—
Surplus at end of period.....	<u>\$ 83,229</u>	<u>\$ 19,784</u>

National advertising of Company's brand names is carried in the nation's leading magazines.



Here are some of International's nationally advertised brands

For Boys and Girls

For Men and Young Men

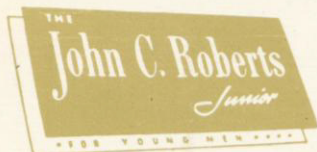


RAND
Juniors

WINTHROP JRS.
for boys



City Club JRS.



City Club
DISTINCTIVE SHOES FOR MEN



Claston
SHOES for MEN

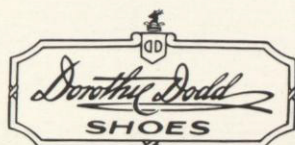
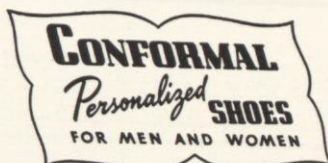
The **RAND** *Shoe*



For the Ladies

For All the Family

Vitality
SHOES



Velvet step

Friedman - Shelby

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand	Accent Shoe Co.
Peters	Vitality Shoe Co.
Friedman-Shelby	Queen Quality Shoe Co.
Continental Shoemakers	Dorothy Dodd Shoe Co.
Pennant Shoe Co.	Winthrop Shoe Co.
Conformal Footwear Co.	

MANCHESTER, N. H.

Sundial Shoe Co.	Great Northern Shoe Co.
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LOCATION OF SHOE FACTORIES AND SUPPLY PLANTS

MISSOURI

Belle
Bland
Cape Girardeau
De Soto
Dexter
Eldon
Eldorado Springs
Fulton
Hamilton
Hannibal
Hermann
Higginsville
Houston
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
Poplar Bluff
Richland

St. Charles
St. Clair
Ste. Genevieve
St. Louis
Salem
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington
West Plains
Windsor

ILLINOIS

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney

Quincy
Springfield
Steeleville

ARKANSAS

Bald Knob
Batesville
Conway
Malvern
Russellville
Searcy

NEW HAMPSHIRE

Claremont
Manchester
Nashua
Newport

KENTUCKY

Hopkinsville
Paducah

LOCATION OF TANNERIES

South Wood River, Illinois	Merrimack, New Hampshire
St. Louis, Missouri	Philadelphia, Pennsylvania
Manchester, New Hampshire	Bolivar, Tennessee
Marlinton, West Virginia	